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CFA Institute
ATTN: GIPS Standards Technical Committee
915 East High Street
Charlottesville, VA
22902
standards@cfainstitute.org

Re: CFA Institute – Exposure Draft Guidance Statement for OCIO Strategies

TD Asset Management Inc. (TDAM) appreciates the opportunity to provide comments on the Exposure Draft Guidance Statement for OCIO Strategies

Responses to select questions from the Exposure Draft

Question 1. Is it clear when a firm must apply the Guidance Statement for OCIO Strategies?

We do not believe it is sufficiently clear; does a liability-focused total OCIO portfolio, having fully transitioned to liability-hedging assets, retain its status as a total OCIO portfolio, even though it now consists solely of fixed income, contrary to the initial definition mentioning multiple asset classes? Should such portfolios still be labeled as Total OCIO, given that conditions 1) and 3) remain satisfied?

Question 2. Do you agree with the use of a Required OCIO Composite structure?

We are unclear on the treatment of a total OCIO portfolio with leverage, and it would be helpful if examples are provided for a more robust understanding.

Should composites factor in the influence of leveraged returns on the performance of liability-focused mandates?

- if an OCIO client allocates 40% to liability-hedging assets but uses 2 for 1 leverage, resulting in increased liability hedge ratio and higher volatility, should this client be grouped in the same composite as an unleveraged client with a similar allocation using below table?

Figure 1: Required OCIO Composites for Total OCIO Portfolios

Required OCIO Composites	Allocation to Liability-Hedging Assets	Allocation to Growth Assets
Liability-Focused Aggressive	0–20%	80–100%
Liability-Focused Moderately Aggressive	21–30%	70–79%
Liability-Focused Moderate	31–50%	50–69%
Liability-Focused Moderately Conservative	51–75%	25–49%
Liability-Focused Conservative	76–100%	0–24%
Required OCIO Composites	**Allocation to Risk-Mitigating Assets**	**Allocation to Growth Assets**
Total Return Objective Aggressive	0–20%	80–100%
Total Return Objective Moderately Aggressive	21–30%	70–79%
Total Return Objective Moderate	31–50%	50–69%
Total Return Objective Moderately Conservative	51–75%	25–49%
Total Return Objective Conservative	76–100%	0–24%

Question 3: Do you agree with differentiating liability-focused composites from total return objective composites in the Required OCIO Composite structure?

Yes, we agree with differentiating liability focused from total return objective composites.

Question 4: The proposed asset allocation ranges for the Required OCIO Composites have been created based on a widely used set of OCIO indices, which is built to include the most common 60/40 portfolio in the middle of the moderate bucket. Do you agree with these ranges, or do you think

We agree with this approach, but more clarification is required.

- Should the liability hedging allocation be based off the dollars invested in liability hedging assets or the notional exposure of liability hedging assets (including derivatives exposure)?
- What about OCIO strategies with changes to the liability hedging allocation over time. At what point should the account be reclassified.

We believe that firms should have the flexibility to define how they would like to handle the treatment of these situations.

Question 5: Do you agree with the proposed three options for the treatment of legacy assets?

We agree with the proposed treatment options. However, believe that examples should be provided for the 3 options for clarification purposes. Should the legacy assets performance be included in the portfolio return calculation under option #2? It can be operationally challenging to calculate total OCIO portfolio daily time-weighted performance on portfolios combined with legacy assets.

Question 6: Do you agree with requiring firms to disclose information about their policy for the treatment of legacy assets?

Yes, we agree with the disclosure requirement.

Question 7. Do you agree with requiring both gross-of-fees and net-of-fees returns for Required OCIO Composites?

> Within OCIO composites, it's typical for accounts with similar liability hedging to growth asset ratios to have significantly different fee schedules. Meaning that typical composite net of fee calculations is more likely to provide unrepresentative net of fee returns, when unable to calculate actual net of fee composite returns.

Question 8. Do you agree with requiring firms to initially present at least five years of performance that meets the requirements of the GIPS standards and this Guidance Statement?

Some OCIO portfolios have no portfolio-weighted custom benchmarks. Under this circumstance, whether historical returns of benchmark cannot be disclosed? If not, how to disclose.

Question 9 do you agree the effective date of the OCIO guideline should be 12 months after the issue date?

Can the effective date be set as the beginning of a calendar year, e.g., January 1st, to keep the consistency of reported performance for the past calendar year?

Other Questions

- **Page 9. Portfolio-weighted custom benchmark.**
  A OCIO Portfolio can have a limited number of underlying benchmarks, but a customized benchmark is used with the other indices. In this case, how to disclose the portfolio-weighted custom benchmark? Also, Liability-Focused OCIO strategies typically use some form of custom LDI benchmark i.e., using liability cash flows or securities. How should these custom benchmarks be disclosed? It would be helpful to have examples shown in the guidance.

TDAM would like to thank you for the opportunity to provide these comments since we feel that this will add value to the Investment process and LDI team. Please feel free to contact us at TDAMLDIPM@tdam.com and tdamperformance@tdam.com on this or any other issue in future.